STATE BOARD FOR COMMUNITY COLLEGE AND OCCUPATIONAL EDUCATION

October 12, 2022

TOPIC: Report by the Ad hoc Committee on Rural College Student Housing

PRESENTED BY: Diane Duffy on behalf of the Committee

EXPLANATION: This report summarizes the work of the Ad hoc Committee on Rural College Student Housing and the Committee's conclusions and recommendations.

Introduction

At the October 2021 Board retreat, the Board discussed the challenges of continuing to maintain attractive, safe, and affordable on- campus student housing at our rural colleges. As a result of these discussions, the Board decided to form an ad hoc committee and charged the committee to "study the challenges and possible options to improve student housing as well as financing alternatives and to report back to the SBCCOE."

Committee members are: Pres Askew, Cathy Shull, Jim Johnson, Joe Garcia, Diane Duffy, Rhonda Epper, Mark Superka, and Heidi Dineen.

The committee held four meetings: February 22; March 29, May 18, August 29, 2022.

Background

CCCS colleges with on campus student housing are: Colorado Northwestern Community College (CNCC -Rangely), Lamar Community College (LCC), Northeastern Junior College (NJC), Otero College (OC), and Trinidad State College (TSC).

Residence halls are auxiliary enterprises. An auxiliary enterprise exists to furnish goods or services to students other than instruction. Instead of tuition, fees are charged to support the auxiliary based on the cost of providing those goods or services. The Board maintains approval authority over those fees and, annually, the Board approves colleges' requests for room and board fee increases. Those fees charged do not necessarily fully cover controlled maintenance for the facilities and, as a result, many of our older facilities have suffered from deferred maintenance. In other cases, the older facilities simply lack modern but critical amenities, such as suitable HVAC systems and ADA accessibility. This is especially true for our colleges' oldest residence halls with the most acute infrastructure needs. Typically, most of the residence hall fee increases are based on covering the projected operating cost increases. Residence hall fees must be affordable and competitive with the local housing market. Generally, most of the colleges have been unable to charge housing fees that would allow for adequate set aside funds to pay for anticipated future major maintenance expenses or capital improvements to their residence halls. As a result, the rooms are often unappealing to potential students, which has impaired the ability of our rural colleges to attract students from beyond their local communities.

All of our rural colleges with residence halls face challenges, to varying degrees, with aging residence halls. Generally, it is not that our colleges need additional capacity to serve more students. Rather, the rooms they have are inadequate, unappealing and even unsafe in their current condition. The Committee reviewed a high level inventory of student housing, as of fall 2021 (Appendix A). In addition, staff worked with the individual colleges to gather additional information about capacity limitations as well as the condition of the existing student housing stock. Key observations included:

- The colleges house three main categories of students: (1) athletes; (2) CTE; (3) traditional-age transfer. As noted above, there are not capacity issues at the colleges, with the exception of LCC which is currently expanding capacity by renovating a former motel to create additional student housing.

- Generally, the issues with the residence halls are related to an aged infrastructure (many were built in the 1960s), with single pane windows, health life safety deficiencies, aged mechanical systems; and mechanical and plumbing deficiencies.

- Significant renovations of student dormitories are needed at CNCC Rangely, LCC, and TSC. NJC has a fairly new dormitory, but other housing is in need of renovation. The current needs at OC are relatively modest. The scope of the funding needed at all five colleges is in the range of $50+ million, although this high-level estimate does not take into account the recent significant surge in construction costs inflation.

Under current law, residence halls at the public higher education institutions are an “auxiliary facility” and *are not eligible for state capital construction and controlled maintenance funding.*

Recent Experiences
The Committee received a detailed briefing from Dr. Lujan regarding recent efforts at LCC to find a solution to add campus housing in order to add athletic teams to gain student enrollment. The only cost-effective option for LCC was having the LCC Foundation buy and renovate a former motel to provide for 78 new beds. Before settling on this option, LCC explored many options including the following:

- Evaluated adding dorm pods in order to add student housing capacity. Several years ago, the pods were approximately $1million. Based on new State of Colorado energy efficiency codes the cost increased from $1 million to $2.4 million. For example, a chiller is required because window AC units are no longer permitted. At the time, this meant LCC would need to raise $4.8 million. President Lujan noted that LCC applied to be exempted from state energy building requirements and was denied. This option was cost prohibitive.

- Explored P3 (public private partnership). Although the CCCS credit rating is outstanding, the relatively small project ROI did not pencil out.

- Looked at a shovel ready project for Opportunity Zone funders but there was no interest.

- Pursued a low interest loan, but not enough revenue would be generated to make a debt service payment.

The Final option was for the LCC Foundation to purchase the motel for $680,000 with an additional $500,000 in renovations. LCC leases the motel from the Foundation over a ten-year term with rent equal to the loan payments to purchase the motel.

TSC recently completed a facilities master plan that was presented to the Board, which include a need for significant renovation and upgrade of residence halls. TSC, like LCC, learned from experts that the cost of renovation is generally significantly less expensive than the cost of new construction.

President Epper pursed many of the same ideas for the necessary funding. In addition, she explored steps to pursue a local special taxing district, but met with resistance from local leaders. She looked into financing the renovations, but the amount they could afford to borrow would cover only a fraction of the renovation work needed. (Because renovations do not add capacity or generate new revenue, they do not generate the ROI of new buildings that would, at least in theory, bring in both fee revenue and tuition revenue.) Finally, President Epper also supported the efforts of a local legislator to pursue State ARPA funds during the 2022 Session, and she submitted a request for federally directed spending through a member of the Colorado congressional delegation. These legislative efforts were not successful.

Alternatives to Reduce the Cost of New Construction
The Committee received a briefing from an expert about potentially innovative ways to construct new facilities that are not as costly, such as pre-fabricated housing. The Committee learned that, at this point in time, utilization of pre-fabrication often does not align with procurement codes, but that it might provide some lower cost options in the future. The expert noted the advantages of pre-fabrication are in large scale projects because there is savings in time, but not construction dollars, because of the repetition. To make it work, it would be necessary to partner with fabricators and have “many” projects in order to get the economies of scale. The expert noted that you need to procure design and construction together in order to get efficiency. Currently, there are also challenges with building codes because there is no uniform building code focused on pre-fabrication. As a result, the process is very dependent on local code adoption--which adds time and costs to projects. Based on the discussion, it does not appear today that pre-fabrication is a ready solution to lower the costs of new construction or renovation of student housing because of the lack of scale and replication, and cumbersome building regulations.

Ideas for Funding
<u>Philanthropy.</u> The committee discussed options related to raising funds for student housing through private philanthropy. Several observed that fund raising for residence hall renovation does not pull at the heartstrings of donors. Recent experiences confirm that residence halls can be a tough capital project for which to raise funds. Despite these challenges, the Committee believes that we need to continue to explore philanthropic options.

<u>State Funding.</u> The committee received a briefing from the CCCS lobbyist and concluded there are three state legislative options that can be explored further:

- Amend the state capital funding statutes to include our CCCS rural colleges’ residential student housing. Note: If we were successful in getting the eligibility criteria amended, this change would simply allow our colleges’ residence hall projects to compete for capital development funding among the eligible Institutions of Higher Education and the rest of state government agencies. The capital development process requires project prioritization from the SBCCOE, Colorado Commission on Higher Education (CCHE), and then the General Assembly's Capital Development Committee (CDC)—and then approval from the Joint Budget Committee (JBC). In short, such a legislative change would not guarantee that any funding would be available to address the needs of our colleges within any reasonable timeframe.

- Keep a watchful eye and be ready to take advantage of any potential *special bills* that might align with an ability to fund residence halls, particularly for the TSC project at three scaled levels: $3 million; $9 million; and $22 million. These figures have not been adjusted to reflected recent construction inflation.

In the event that any of Colorado's rural universities pursue potential debt relief from state coffers for previously constructed student housing projects that were debt financed, we would attempt to tie the needs of our CCCS rural colleges to that request.

Debt. The Colorado Community College System has excellent credit and a low amount of debt. The Committee and rural colleges have explored financing improvements to student housing by issuing debt. Typically, the rural colleges do not have sufficient excess operating revenue to repay the debt service. Renovating student dorms is unlikely to generate additional enrollment, but it could help stabilize enrollment at the rural colleges. The Board may view the financial stability of our rural colleges as a sufficiently compelling interest to warrant the issuance of System level debt which could be paid, at least in part, by System resources.

Committee Conclusions and Recommendations

The Committee concluded that, for the five rural colleges with residence halls, attractive, safe, and affordable student housing makes it possible to attract students, stabilize enrollment, and keep the colleges' doors open. Rural colleges need livable college housing to attract students, including athletes. Without acceptable student housing, rural colleges are at risk. With regard to the current context for funding opportunities to improve rural college student housing, the Committee learned there is "no easy button."

The Committee recommends the Board, Chancellor, and Presidents continue to educate policy makers and community leaders about the unique needs and challenges of rural colleges to maintain reasonable and affordable on-campus student housing. The Committee urges the Board to continue to elevate and prioritize this issue. The Committee believes there is no easy, simple solution for funding, but rather it will be necessary to continue to pursue a combination of funding strategies to provide and maintain reasonable and acceptable student housing into the future.